

Credit Cards Assignment

Part 1 - Research

You will be using the website www.cibc.com to complete this part of the assignment.

Major credit cards such as VISA and MasterCard are associated with financial institutions. CIBC for example, is associated with VISA.

Not all credit cards are the same. From the menu on the left, choose credit cards Refer to the chart included in your assignment.

1a) What is the interest rate for all the cards?

b) Which cards have annual fees?

c) Why might someone prefer the CIBC Adventura Gold Card, to the CIBC Dividend Visa Card?

Date:

Comparing Financial Services Assignment (continued)

2) Describe the type of person who might choose each of the following cards.

a) CIBC Adventura Visa Infinite Card

b) CIBC Aero Platinum Visa Card for Students

c) CIBC Tim Hortons Double Double Visa Card

Credit card bills

1) The following terms may appear on your credit card bill. Define what they mean with regards to a credit card statement.

a) Previous balance

b) Credit limit

c) Available credit

d) New balance

e) Minimum payment

f) Billing date (due date)

Date:

Comparing Financial Services Assignment (continued)

If a payment is made in full by the billing date, no interest is charged.

2) This month, Cindy had a previous credit card balance of \$45, bought a sweater for \$25.50, paid for a dinner out which cost \$55.00, bought a book for one of her classes for \$62.25, and treated herself to 3 new CD's which came to \$47.62. She had made an early payment of \$50. How much would she owe on her due date?

If the entire balance is not paid off by the due date, simple interest is charged from the posting date until the due date.

3a) Joseph bought a stereo system on his credit card on May 14th for \$2759.43. His due date is May 27th. The interest rate is 19%. He does not make any payments. How much interest would he be charged until his due date?

Hint: There are 13 days between May 14th and May 27th, so $L = \frac{13}{365}$

b) What is his new balance?

Date:

Comparing Financial Services Assignment (continued)

After that, interest is compounded monthly until it is paid off.

c) If Joseph keeps ignoring his bills, how much will he owe on December 27th? Use $A = P(1 + i)^n$

d) How much does he owe in interest?

e) How much does he owe next May?

f) He chose his credit card because it didn't have an annual fee, but he could have chosen a low interest credit card that only charged 6% interest, but had an annual fee of \$120. After 1 year, which card would he have been better off with? By how much?

4a) What type of people benefit from a credit card with no annual fee, but a high interest rate?

b) What type of people would be better off with a low interest credit card, even if it has other fees?

Date:

Comparing Financial Services Assignment (continued)

Credit Rating

You will use the website www.equifax.ca to complete the next part of the assignment.

1) Go to the link for "credit education centre"

a) In 100 words or less, summarize what a credit report is.

b) List the seven sections that are found in your credit report.

c) Click on "credit score basics"

What suggestions do they have to improve your credit score?

d) Buying on Credit: Compare 2 different banks credit card charges for a \$1500 purchase if the full amount is paid off 55 days later.